

REGIONAL DEVELOPMENT AGENCY

Accountability and Financial Framework

October 2008

This document replaces the RDA Management Statement and Financial Memorandum issued in November 2005

RDA Accountability and Financial Framework

Introduction and Purposes of the Accountability and Financial Framework Document

This Accountability and Financial Framework forms part of and should be read in conjunction with the RDA Sponsorship Framework.

This Accountability and Financial Framework has been drawn up by the Department for Business, Enterprise & Regulatory Reform (BERR) (“the Department”) in consultation with the Agencies.

This document will be formally reviewed as and when required, after consultation with the Agency, to reflect changes in policy, responsibility, or accountability. The Department will consult the Treasury and/or Cabinet Office on any significant variation proposed.

The Government will resolve any question about the interpretation of this document after consultation with the Agency.

Copies of this document and any subsequent substantive amendments will be placed in the Libraries of both Houses of Parliament. Copies will also be made available to members of the public on the Agency’s website.

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1 Purpose of the Agency

- 1.1 Eight Regional Development Agencies (RDAs) for England (outside London)¹ were established under the Regional Development Agencies Act 1998 (“the Act”). The Agencies’ purposes are set out in Section 4 of the Act, and require that in its area the RDA:
- furthers economic development and regeneration;
 - promotes business efficiency, investment and competitiveness;
 - promotes employment;
 - enhances the development and application of skills relevant to employment, and
 - contributes to the achievement of sustainable development in the United Kingdom where it is relevant to its area,

These purposes apply equally to the rural parts and non-rural parts of its area.

- 1.2 Section 5 of the Act gives each Agency the power to do anything it considers expedient for its purposes, or for incidental purposes, subject to the need for consent by the Secretary of State to:
- give financial assistance;
 - dispose of land at less than the best consideration which can reasonably be obtained; or
 - form or acquire an interest in a body corporate.
- 1.3 The Agency is required to formulate a regional strategy and keep this under review (Section 7 of the Act), and undertake any function delegated to it by the Secretary of State (Section 6 of the Act).
- 1.4 The Agency is a body corporate and pursues its statutory purposes within the framework agreed with the Government. In pursuing these purposes and activities the Agency shall act:
- in accordance with its statutory obligations set out in the Act and any directions or guidance issued by the Government (in particular the policy framework set by the Government through guidance);
 - in accordance with this Accountability and Financial Framework; and
 - within the resources made available by Parliament and otherwise.

1. The London Development Agency has been established under the Regional Development Agencies Act 1998 as amended by the Greater London Authority Act 1999, and is subject to separate financial arrangements.

2 Governance and Accountability

- 2.1 This Framework sets out the relationship between Government and the Agency at a strategic level and the broad framework within which the Agency will operate, in particular:
- the rules and guidelines relevant to the exercise of the Agency's functions, duties and powers;
 - the conditions under which any public funds are paid to the Agency and how the Agency is to be held to account for its performance; and
 - the financial provisions which the Agency is required to observe.
- 2.2 The Framework summarises the roles and aims of the Agency, its duties and powers, the responsibilities of its Chair, Members and Chief Executive and its relationship with the Government. It sets out the arrangements for financial planning and for the Agency's accounting, auditing and reporting procedures.

3 Overall Aims and Corporate and Business Plans

Corporate Plans

- 3.1 The [Sub-national Review](#) (SNR) has set out a new, more strategic role for the Agency and a greater role for local authorities and sub-regions in economic development. For the Agencies in the regions outside London, this will require them to be clear about overall strategy and priorities but then to give far greater autonomy to local authorities and sub-regions in the allocation and management of spending.
- 3.2 Each Agency should in its Corporate Plan formulate a set of Corporate Objectives covering the totality of an Agency's business specifying how it will address the sustainable economic development of the region and how it will allocate and manage its resources to maximise the effectiveness and efficiency of the Agency. (See RDA Sponsorship Framework Chapter 2: Corporate Planning Guidance 2008-11 and *Performance Reporting*).

Value for Money Plans

- 3.3 The 2007 Comprehensive Spending Review (CSR007) requires RDAs to deliver savings of £700m over the next three years (April 2008 - March 2011). Each Agency has agreed figures with Treasury and BERR for savings from activities (across both administration and programme budgets) over the CSR period. The Agency will provide BERR with quarterly reports on the delivery of its savings and will use that to highlight

any potential risks to the programme (along with any proposed remedial actions). The Senior Responsible Officer for the Agencies (ONE) will represent RDAs at the high level BERR Efficiency Board to discuss with other part of the BERR programme best practice.

- 3.4 The Agency will ensure clear and transparent records are in place of a standard to satisfy external scrutiny and audit requirements.

4 Ministerial Responsibility

- 4.1 The Secretary of State for the Department for Business, Enterprise & Regulatory Reform (BERR) is accountable to Parliament for the activities and performance of the Agency. His responsibilities include:

- approving the Agency's strategic objectives and the policy and performance framework within which the Agency will operate (as set out in this Accountability and Financial Framework Document and associated documents);
- keeping Parliament informed about the Agency's performance;
- approving the amount of grant-in-aid/grant/other funds to be paid to the Agency, and securing Parliamentary approval; and
- carrying out responsibilities specified in the Act including appointments to the Board, approving the terms and conditions of Board members, approval of terms and conditions of staff, and laying of the annual report and accounts before Parliament.

- 4.2 BERR ("the Department") acts as sponsor Department for the Agency on behalf of the Government as a whole.

- 4.3 The Secretary of State remains responsible for the Agency, but may refer enquiries and representations from members of Parliament and others, to the Agency for reply. In other cases, the Agency shall provide the Secretary of State with the information needed to answer such enquiries.

5 BERR's Accounting Officer's Specific Accountabilities and Responsibilities

- 5.1 BERR Permanent Secretary, as the Department's principal Accounting Officer, is responsible for ensuring that there is a high standard of financial management in the Department. He is accountable to Parliament for the issue of any grant-in-aid or grant to the Agency. He designates the Chief Executive of the Agency as the Agency's Accounting Officer, issuing the terms and requirements of the appointment and ensuring that the appointee is suitably trained and fully aware of the responsibilities

involved, and may withdraw the accounting officer designation if he believes that the incumbent is no longer suitable for the role.

- 5.2 In particular, the BERR Permanent Secretary shall ensure that:
- the Agency's strategic aims and objectives support the Government's wider strategic aims and relevant current Public Services Agreement (PSA);
 - the financial and other management controls applied by the Department to the Agency are appropriate and sufficient to safeguard public funds and for ensuring that the Agency's compliance with those controls is effectively monitored ("public funds" include not only any funds granted to the Agency by Parliament but also any other funds generated by approved activities or falling within the stewardship of the Agency);
 - the internal controls applied by the Agency conform to the requirements of regularity, propriety and good financial management; and
 - any grant-in-aid to the Agency is within the ambit and the amount of the Request for Resources and that Parliamentary authority has been sought and given.
- 5.3 The responsibilities of a Departmental Accounting Officer are set out in more detail in [Chapter 3 of Managing Public Money](#).
- 5.4 Within the Department, the Region's RDA Sponsorship Directorate (the Directorate) is responsible for setting the policy and resource framework for the Agency. The Directorate is the primary source of advice to the Secretary of State on the discharge of his/her responsibilities in respect of the Agency,
- 5.5 In support of the BERR Permanent Secretary the Directorate sponsoring team shall:
- on performance and risk management –***
- monitor the Agency's activities through an adequate and timely flow of information from the Agency on performance, budgeting, control and risk management, and
 - address in a timely manner any significant problems arising in the Agency, whether financial or otherwise, making such interventions in the affairs of the Agency as the Department judges necessary, and
- on communication with the Agency –***
- inform the Agency of relevant Government policy in a timely manner; advise on the interpretation of that policy; and issue specific guidance to the Agency as necessary;

- bring concerns about the activities of the Agency to the attention of the full Board of the Agency, and require explanations and assurances from the Board that appropriate action has been taken; and
- periodically through strategic review meetings, chief executive workshops and chairs meetings to both keep the Agency informed and give the Agency the opportunity to input to policy.

6 Responsibilities of the Chief Executive as Agency Accounting Officer

General

- 6.1 The Chief Executive of the Agency is designated as the Agency's Accounting Officer by the BERR Permanent Secretary.
- 6.2 The Accounting Officer of the Agency is personally responsible for safeguarding the public funds for which he has charge; for ensuring propriety and regularity in the handling of those public funds; and for the day-to-day operations and management of the Agency. In addition, he should ensure that the Agency as a whole is run on the basis of the standards, in terms of governance, decision-making and financial management that are set out in Box 3.1 to [Managing Public Money](#), which is reproduced at Appendix 1.
- 6.3 As Accounting Officer the Chief Executive shall exercise the following responsibilities in particular:

for accounting to Parliament

- signing the accounts and ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Secretary of State;
- signing a Statement of Accounting Officer's responsibilities, for inclusion in the Annual Report and Accounts;
- signing a Statement on Internal Control regarding the Agency's system of internal control, for inclusion in the Annual Report and Accounts;
- ensuring that effective procedures for handling complaints about the Agency are established and made widely known within the Agency;
- acting in accordance with the terms of this document and with the instructions and guidance in [Managing Public Money](#) and [Government Financial and Reporting Manual \(FReM\)](#) and other instructions and guidance issued from time to time by the Department, the Treasury and the Cabinet Office - in particular, the

Treasury documents *The Responsibilities of an NDPB Accounting Officer* and *Regularity and Propriety*, both of which the Chief Executive shall receive on appointment (Appendix 2 refers to other key guidance); and

- giving evidence, normally with the Accounting Officer of the sponsor Department, when summoned before the Committee of Public Accounts on the use and stewardship of public funds by the Agency.

Responsibilities to the Department for Enterprise and Regulatory Reform

6.4 Particular responsibilities to BERR include:

- establishing, in agreement with the Department, the Agency's corporate plan which will address the priorities identified in the Regional Economic Strategy for the region and contribute to the delivery of the Government's objectives set out in the Corporate Planning guidance;
- informing the Department of the Agency's progress towards the delivery of the Corporate Plan;
- ensuring that timely forecasts and monitoring information on performance and finance are provided to the Department; that the Department is notified promptly if overspends or underspends are likely and that corrective action is taken; and
- notifying the Department in a timely fashion, any significant problems, whether financial or otherwise and whether detected by internal audit or by other means.

Responsibilities to the Board

6.5 The Chief Executive is responsible for:

- advising the Board on the discharge of its responsibilities as set out in this document, and in any other relevant instructions and guidance that may be issued from time to time;
- advising the Board on the Agency's performance compared with its aims and objectives;
- ensuring that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that standard financial appraisal techniques are followed as far as this is practical, and
- taking action as set out in paragraphs 3.8.5 of [Managing Public Money](#) if the Board, or its Chair, is contemplating a course of action involving a transaction which the Chief Executive considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration or efficiency or effectiveness, questionable feasibility, or is unethical.

on managing risk and resources –

- ensuring that a system of risk management is maintained to inform decisions on financial and operational planning and to assist in achieving objectives and targets;
- ensuring that an effective system of programme and project management and contract management is maintained;
- ensuring that all public funds made available to the Agency including any approved income or other receipts are used for the purpose intended by Parliament, and that such moneys, together with the Agency's assets, equipment and staff, are used economically, efficiently and effectively;
- ensuring that adequate internal management and financial controls are maintained by the Agency, including effective measures against fraud and theft;
- maintaining a comprehensive system of internal delegated authorities which are notified to all staff, together with a system for regularly reviewing compliance with these delegations, and
- ensuring that effective personnel management policies are maintained.

The Chief Executive's Role as Consolidation Officer

- 6.6 For the purposes of Whole of Government Accounts, the Chief Executive of the Agency is normally appointed by the Treasury as the Agency's Consolidation Officer.
- 6.7 As the Agency's Consolidation Officer the Chief Executive shall be personally responsible for preparing the consolidation information that sets out the financial results and position of the Agency, for arranging for its audit and for sending the information and the audit report to the Principal Consolidation Officer nominated by the Treasury.
- 6.8 As Consolidation Officer, the Chief Executive shall comply with the requirements of the [Consolidation Officer Memorandum](#) and shall, in particular:
- ensure that the Agency has in place and maintains sets of accounting records that will provide the necessary information for the consolidation process; and
 - prepare the consolidation information (including the relevant accounting and disclosure requirements and all relevant consolidation adjustments) in accordance with the consolidation instructions and directions "Dear Consolidation Officer" (DCO) and "Dear Consolidation Manager" (DCM) letters issued by the Treasury in the Whole of Government Accounts (WGA) on the form, manner and timetable for the delivery of such information.

Delegation of Duties

- 6.9 The Chief Executive may delegate the day-to-day administration of his/her Accounting Officer and Consolidation Officer responsibilities to other employees in the Agency. However, he/she shall not assign absolutely to any other person any of the responsibilities set out in this document.

The Chief Executive's Role as Principal Officer for Ombudsman Cases

- 6.10 The Chief Executive is the Principal Officer for handling cases involving the Parliamentary Commissioner for Administration. As Principal Officer he/she shall inform the Permanent Secretary (Principal Accounting Officer) of the sponsor Department of any complaints about the Agency accepted by the Ombudsman for investigation, and about the Agency's proposed response to any subsequent recommendations from the Parliamentary Ombudsman.
- 6.11 The Agency must notify the Department of any recommendation made to it by the Parliamentary Commissioner for Administration

7 The Board of the Agency

- 7.1 The Board Members are appointed by the Secretary of State in line with the [Code of Practice issued by the Commissioner for Public Appointments](#).
- 7.2 The Board has corporate responsibility for ensuring that the Agency fulfils the aims and objectives set by the Secretary of State and for promoting the efficient and effective use of staff and other resources by the Agency. To this end, and in pursuit of its wider corporate responsibilities, the Board shall:
- establish the overall strategic direction of the Agency within the policy and resources framework determined by the Secretary of State;
 - ensure that the Secretary of State is kept informed of any changes which are likely to impact on the strategic direction of the Agency or on the attainability of its targets, and determine the steps needed to deal with such changes;
 - ensure that any statutory or administrative requirements for the use of public funds are complied with; that the Board operates within the limits of its statutory authority and any delegated authority agreed with the sponsor Department, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Board takes into account guidance issued by the sponsor Department;

- ensure that the Board receives and reviews regular financial information concerning the management of the Agency; is informed in a timely manner about any concerns about the activities of the Agency; and provides positive assurance to the Department that appropriate action has been taken on such concerns;
- demonstrate high standards of corporate governance at all times, including by using the independent audit committee (paragraph 5.5) to help the Board to address the key financial and other risks facing the Agency; and
- appoint, with the Secretary of State's approval, a Chief Executive to the Agency and, in consultation with the Government Office, set performance objectives which give due weight to the proper management and use of public monies.

The Chair's Personal Responsibilities

- 7.3 The Chair is responsible to the BERR Secretary of State. The Chair shall aim to ensure that the Agency's policies and actions support the wider strategic policies set for the Agency; and that the Agency's affairs are conducted with probity. The Chair shares with other Board members the corporate responsibilities set out in paragraph 7.6 below, and in particular for ensuring that the Agency fulfils the aims and objectives set by the Secretary of State.
- 7.4 In addition, the Chair has the following leadership responsibilities:
- formulating the board's strategy;
 - ensuring that the board, in reaching decisions, takes proper account of guidance provided by the Secretary of State or the department;
 - promoting the efficient and effective use of staff and other resources;
 - delivering high standards of regularity and propriety; and
 - representing the views of the board to the general public.
- 7.5 The Chair also has an obligation to:
- ensure that all members of the Board, when taking up office, are fully briefed on the terms of their appointment and on their duties, rights and responsibilities, and receive appropriate induction training, including on the financial management and reporting requirements of public sector bodies and on any differences which may exist between private and public sector practice;
 - advise the Secretary of State of the needs of the Agency when Board vacancies arise, with a view to ensuring a proper balance of professional and financial expertise (as set out in the Corporate Government in Central Government Departments: Code of Good Practice on Corporate Governance);
 - ensure the work of the board and its members are reviewed and are working effectively;
 - assess the performance of individual Board members annually (copying the assessment to Director General, Regions in BERR) and when they are being considered for re-appointment to the Board;
 - ensure that a list of matters reserved for the Board's decision is maintained by the Agency; and
 - ensure there is a code of practice for board members in place consistent with the Cabinet Office model Code. The Code shall commit the Chair and other Board Members to the Nolan seven principles of public life, and shall include a requirement for a comprehensive and publicly available register of Board Members' interests.

Individual Board Members' Responsibilities

- 7.6 Individual Board members shall act to direct the Agency to its aims and objectives in accordance with their wider responsibility as Members of the Board – namely to:
- comply at all times with the Code of Practice (paragraph 2.13 above) that is adopted by the Agency and with the rules relating to the use of public funds and to conflicts of interest;
 - not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations;
 - comply with the Board's rules on the acceptance of gifts and hospitality, and of business appointments, and
 - act in good faith and in the best interests of the Agency.

8 Accounts and Reporting

Accounting Requirements

- 8.1 The accounting requirements for the Agency are set out in Section 14 of the Act and the Accounts Direction issued by the Secretary of State for BERR is reproduced at Appendix 3. The Agency is required to retain accounting documents in line with the requirements of [Managing Public Money](#).

Annual Report

- 8.2 Section 17 of the Act requires the Agency to prepare an annual report on its activities as soon as reasonably practicable after the end of the financial year; this should be provided to the Department before the Summer recess and REG RDA will advise RDAs of the date after consultation with the NAO. The report shall be sent to the Secretary of State who shall publish it together with the Agency's audited annual accounts and lay copies before both Houses of Parliament.
- 8.3 The annual report shall:
- outline the Agency's main activities and performance, ensuring consistency with information provided in the Performance Reporting System, during the previous financial year;
 - cover any corporate, subsidiary or joint ventures under its control;
 - comply with appropriate guidance on annual reports issued by the Cabinet Office and have regard to Chapter 7 of the Government Financial Reporting Manual (FReM); and

- be in such form and contain such information as the Secretary of State for Business, Enterprise and Regulatory Reform may specify by directions to the Agency.
- 8.4 The required form and content of the report, as directed by the Secretary of State under Section 17(2) of the Act, is contained at Appendix 4.

9 Internal Audit

- 9.1 The Agency shall maintain effective arrangements for internal audit which accord with the objectives, standards and practices set out in the [Government Internal Audit Standards \(GIAS\)](#). Internal Audit primarily provides an independent and objective opinion to the Accounting Officer on risk management, control and governance, by measuring and evaluating their effectiveness in achieving the organisation's objectives. Internal Audit also provides an independent and objective consultancy service specifically to help line management improve the organisation's risk management, control and governance.
- 9.2 The Agency shall set up an independent audit committee as a committee of its Board in accordance with the [Cabinet Office's Guidance on Codes of Practice for Public Bodies](#) and the Treasury's [Audit Committee Handbook](#).
- 9.3 The Agency's Head of Internal Audit shall submit to the Agency's Accounting Officer annually his professional opinion on the adequacy and effectiveness of the organisation's risk management, control and governance processes. Copies of the documents listed below (including any amendments thereto) shall be provided to the Department when requested:
- Internal Audit terms of reference;
 - Details of the Agency's Audit Committee arrangements;
 - Audit Strategy;
 - Periodic work plans;
 - The Head of Internal Audit's annual report;
 - Annual report on fraud and theft suffered by the Agency; and
 - Annual Statement on Internal Control and Risk.
- 9.4 The Internal Audit service shall have direct access to the Agency Chief Executive and Accounting Officer and to the Board. It should provide regular reports to the Agency Chief Executive and Accounting Officer and also report regularly to the Board through the Audit Committee on its programme, recommendations and their implementation.
- 9.5 The Internal Audit service may be provided by a dedicated in-house team or bought in.

Auditing by the Department

- 9.6 The Agency shall arrange for periodic quality reviews of its internal audit in accordance with the GIAS. BERR will carry out a programme of reviews of the Agency's Internal Audit functions with the aim of reviewing each one about every three years.
- 9.7 The Department shall have access to all of the records of the Agency (including those of the Agency's internal auditors) and may carry out studies into the economy, efficiency and effectiveness with which the Agency has used its resources and the regularity, propriety and value for money of the Agency's expenditure. Under these provisions the Department may also carry out evaluations of the Internal Audit arrangements put in place by the Agency in order to be able to provide an assurance to the Departmental Accounting Officer about the maintenance of appropriate standards and performance.

10 External Audit

Auditing by the Comptroller and Auditor General

- 10.1 Section 15 of the Act provides that the annual accounts of the Agency shall be subject to external audit by the Comptroller and Auditor General (C&AG). The Agency shall ensure that the Department has received a copy of the final draft of the annual accounts so that the Department has the opportunity to comment on the contents and presentation before the accounts are sent to the C&AG. The Agency shall ensure that the final version of any management letters and other reports sent to the Agency by the National Audit Office, are copied to the Department immediately after receipt by the Agency.
- 10.2 The Comptroller and Auditor General may also carry out examinations into the economy, efficiency and effectiveness with which the Agency has used its resources in discharging its functions. Section 15(2) of the Act requires the audited accounts of the Agency, and any reports on them by the Comptroller and Auditor General, to be sent to the Secretary of State as soon as reasonably practicable after the report is received. The Secretary of State will lay the accounts and report before both Houses of Parliament, normally within 4 months of the end of the financial year. Before being laid before Parliament the reports and accounts will be submitted for Ministerial approval.

Auditing of European Funds

- 10.3 The Agency should be aware that receipts and payments from European Union bodies are subject to audit by the European Union (EU). Where the

Agency is the final beneficiary of an EU grant, it may be subject to an audit by the European Court of Auditors. It may also be subject to audit from other auditors acting under the terms governing the provision of the financial assistance or the protocol arrangements agreed between Government Departments and the EU.

11 Management and Financial Responsibilities

Approval of Expenditure

- 11.1 Under the Single Budget, the Agency may undertake any activity which it considers expedient for its five purposes set out in Section 4 of the Regional Development Agencies Act 1998 as set out in its agreed Corporate Plan and, subject to the controls set out in this Framework.
- 11.2 The Corporate Plan is the normal vehicle for seeking approval for the allocation of the RDAs resources to its top priorities. Where, subsequent to approval of the Corporate Plan, the Agency proposes to make significant changes to the allocation of resources or its top level priorities they should consult the Department.
- 11.3 The inclusion of any planned expenditure in the Corporate Plan does not obviate the need to seek formal, written approval where this expenditure is outside the financial approval limits as set out in Appendix 5.

Financial Controls and Authorities for Expenditure Under the Single Budget

- 11.4 The Agency may incur expenditure within the limits set out at Appendix 5, subject to any restrictions imposed by statute or this framework document. Section 5(2)(a) of the Act provides that the Agency may not give financial assistance without the consent of the Secretary of State. By virtue of Appendix 5 to this Framework, the Agency has consent to give financial assistance, usually by payment of grant, for any project, subject to the limits and conditions specified in the Appendix.
- 11.5 The Agency may seek consent to give financial assistance to other projects or schemes which are outside the single budget or for other forms of financial assistance. The Agency may not make a loan to another body, other than as capital investment in a loan fund to promote risk capital investment in Small and Medium-sized Enterprises, up to a limit of £10,000,000 in total for each loan fund scheme, without first obtaining the Secretary of State's written consent. Any such request should be presented as a fully worked-up business case.

Novel, Contentious or Repercussive Proposals

- 11.6 The Agency must obtain the approval of the Department and the Treasury before incurring expenditure, for any purpose that might be novel, potentially contentious or could cause repercussions elsewhere in the public sector. Where there is uncertainty whether the proposed expenditure might be so classified² the Agency should seek a ruling from the Department.

Grants or Loans Made by the Agency

- 11.7 The Agency shall ensure that grants or loans made to organisations are accompanied by appropriate conditions, including an agreed set of objectives and measures and also obligations to ensure that the relevant books and records of such organisations are readily available for inspection by the Government and, where appropriate, representatives of the European Commission.
- 11.8 Where the Agency has financed expenditure on capital assets by third parties, the Agency should make appropriate arrangements to ensure that assets are not disposed of without the Agency's prior consent. The Agency shall, therefore, ensure that such repayment conditions are sufficient to secure the repayment of the Exchequer's due share of the proceeds of the sale.

Borrowing and Leasing

2. Some examples are shown in Chapter 2, box 2.3 of Managing Public Money

- 11.9 The Agency's borrowing powers are set out in Section 11 of the Act. Agencies are only entitled to borrow in accordance with the following provisions of this section, but not otherwise. Within the terms of Section 11, the Agency may borrow from the Secretary of State and with the written consent of the Secretary of State and Treasury may borrow, temporarily, from bodies other than the Secretary of State. The Secretary of State may give consent for the Agency to enter into short-term loans and overdrafts (see the following paragraph which sets out a general consent to temporary borrowing) and under Section 29 of the Act may impose conditions. Any consent will specify the maximum amount that can be borrowed, the loan period and any other conditions as the Secretary of State may specify.
- 11.10 As an interim measure to aid business efficiency, the Secretary of State gives consent for the Agency to borrow, temporarily, via overdraft facilities up to a maximum of £5m for 30 days and, the Secretary of State will guarantee such borrowing. The Agency should seek additional funding through the grant-in-aid mechanism, from the Department, to minimise the need for and ensure early repayment of, private sector funds.
- 11.11 Under Section 12 of the Act, the Agency may request the Secretary of State to guarantee loans it has taken out from persons other than the Secretary of State, subject to the controls by Parliament and by the Treasury set out in Section 12 of the Act.
- 11.12 The Agency may not enter into finance leases without the consent of the Secretary of State. The Agency must seek the agreement of the Department before entering into any deferred payment arrangements.
- 11.13 Departmental Expenditure Limit (DEL) cover is required for the net change in borrowing outstanding over the financial year and the amount of grant in aid available to the Agency in that year will be reduced accordingly.

Delegated Authorities

- 11.14 The Agency's delegated authorities are set out in Appendix 5. The Agency must obtain the Department's prior written approval before:
- entering into any undertaking to incur any expenditure that falls outside the delegations or which is not provided for in the Agency's annual budget as approved by the department;
 - incurring expenditure for any purpose that is or might be considered novel or contentious, or which has or could have significant future cost implications;
 - making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the department;

- making any change of policy or practice which has wider financial implications that might prove repercussive or which might significantly affect the future level of resources required; or
- carrying out policies that go against the principles, rules, guidance and advice in [Managing Public Money](#)

Insurance

11.15 The Agency may take out new insurance within the circumstances as set out in [Managing Public Money \(Annex 4.5\)](#), and may continue to take out insurance previously approved by the Department for specific purposes and which has transferred to the Agency. A Certificate of Exemption for Employer's Liability Insurance has been issued to the Agency. This applies to Agency employees but not to Board members and the Agency may need additional insurance cover for Board members.

Expenditure on Overseas Offices

11.16 The Agency is required to seek and obtain prior Ministerial approval through UK Trade and Investment's Inward Investment Group for any proposal to extend or create new overseas offices involved in inward investment or trade promotion activities. This is because the Minister for International Trade and Investment needs to retain a national overview of the UK's overseas activities. The Agency will need to present in a separate business case to UK Trade and Investment Inward Investment Group, the following points, together with associated costs:

- the added value of new, or an expansion, of the overseas network;
- key plans and objectives for the new overseas operation;
- key elements of the associated costs, promotional and marketing plans to be carried out by the new operation;
- the scope for proceeding on a collaborative basis with other RDAs;
- how the proposal will contribute to the delivery of the Agency's economic development strategy;
- whether prospective leads generation broadly match the Agency's sectoral and cluster priorities.

Financial Investments

11.17 The Agency shall not make any investments in traded financial instruments without the prior written approval of the Department. Equity shares in ventures which further the objectives of the Agency shall equally be subject to Departmental approval unless covered by a specific delegation.

Fraud and Theft

11.18 The Agency shall ensure that it has in place robust procedures to prevent fraud and theft and to investigate any fraud and theft when it has occurred or where it is suspected. The Agency shall report to the Department any instance of fraud or theft involving staff or officials or, is novel. The Agency should also ensure that lessons are learned from any such instances of fraud or theft as may occur and that procedures are improved as a result of such lessons.

Public/Private Partnerships

11.19 The Agency should seek opportunities to enter into Public/Private Partnerships (PPP) to achieve its objectives where this will optimise value for money. The Agency must consult the Department and the Treasury where a joint venture partnership with the private sector may result in:

- a long-term revenue commitments falling to the public sector;
- where public assets are being disposed of,
- where proposals include borrowing by the partnership .

11.20 Where the judgment over the level of control and classification is a close one the Department will consult the Treasury (who may need to consult with the Office of National Statistics over national accounts treatment).

Corporate Bodies

11.21 Section 5(2)(c) of the Act requires that the Agency shall not form, or acquire an interest in, a body corporate³ without the Secretary of State's consent. In judging such proposals, the department will have regard to government's wider strategic aims, objectives and current Public Service Agreements (PSA). It will be for the Agency to determine appropriate controls, subject to paragraph 11.22 below and any conditions imposed by the Secretary of State, for the resources it puts into a corporate body and to set them out in an appropriate manner.

11.22 Where the judgment over the level of control is close the Agency will consult the Treasury (who may need to consult with the Office of National Statistics over national accounts treatment). Unless specifically agreed with the Department and, where appropriate, the Treasury, such bodies will be subject to the controls set out in [Managing Public Money](#). Where the body is defined as a subsidiary under the Companies Act 2006 and, is not of a commercial nature, the Agency must ensure that the NAO is

3. A limited partnership established under the Limited Partnerships Act 1907 is not a body corporate whereas a limited liability partnership established under the Limited Liability Partnerships Act 2000 is a body corporate.

appointed as its external auditors⁴. In other instances, the NAO should be invited to bid.

Publicity and Advertising

11.23 The Conventions of Government publicity and advertising, set out in the Cabinet Office Propriety Guide⁵ do not formally apply to the Agency. Nevertheless, the general principles of value for money and propriety, which are set out in the Conventions, are applicable to the Agency. In particular the Agency should ensure that any publicity that is issued is:

- Relevant to the Agency and its responsibilities;
- Be objective and explanatory, not tendentious or polemical;
- Not party political and not liable to misrepresentation as being party political; and
- Produced and distributed in an economic and relevant way, having regard to the need to justify the costs as proper expenditure of public funds.

11.24 The Agency may finance or otherwise support marketing or branding campaigns, for example to promote the region or specific areas within it as a location for business investment. The Agency should take care to ensure that such campaigns, and other publicity, are not produced or disseminated in such a way that they may be considered explicitly or by implication to denigrate or in any other way reflect adversely on other regions or nations of the UK (named or unnamed). The Agency may finance or otherwise support regional marketing or branding campaigns, for example to promote the region as a location for business investment. In addition, the Agency should ensure that such campaigns do not explicitly or by implication denigrate or in any other way defame other regions or nations of the UK (named or unnamed).

Use of Public Relation Consultants

11.25 In some circumstances it may be appropriate for the Agency to employ public relations or other consultancies in developing public representation of their work. Any tasks for which PR consultants are engaged need to be closely defined and controlled. It will always be improper use of public funds for the Agency to employ PR or other consultants to lobby parliament or government departments in an attempt to influence government policy or obtain higher funding.

12 Grant in Aid and Resource Budgeting

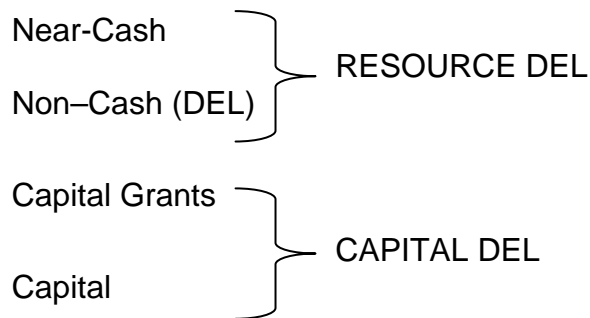
4. See DAO(GEN) 1/08 which contains further guidance on the application of the companies Act 2006.

5. <http://www.cabinetoffice.gov.uk/government%5Fcommunication/propriety/guidance.pdf>

12.1 The Agency's Resource Budgets are formally allocated by the Department following approval of the Corporate Plan (See *RDA Sponsorship Framework Chapter 2: Corporate Planning Guidance 2008-11 and Performance Reporting*). The Agency's budgets are subject to the rules set out in Treasury's "Consolidated Budgeting Guidance from 2008-2009".

Programmes within the Departmental Expenditure Limits

12.2 The Agency has separate budgets for the following, and should manage within each of these two budgets:



The Agency also has a Non-Cash (AME) allocation relating to certain write-offs/impairments however the allocation is varied with the agreement of the Department where those costs are forecast to increase.

12.3 Non-Cash includes the current costs arising from the ownership of assets such as depreciation and cost of capital charge. Near-cash covers other current expenditure by the Agency.

12.4 Capital includes Capital and Capital Grants. It also includes profit and loss on disposal of assets.

12.5 The Agency may not alter the balance between Near-Cash, Non-Cash and Capital without the prior agreement of Government. There is a strong presumption against agreement being given by Government to switch funding from Capital to Non-Cash or Near-Cash. This is because compensating changes would need to be found in other Agencies, or fresh bids made in the Public Expenditure System. However, Agencies may agree between themselves exchanges within these categories so long as:

- the overall balance of expenditure remains the same across the Agencies involved in the exchange; and
- the Treasury is advised in advance of the amount of the proposed exchange of resources.

Annually Managed Expenditure

12.6 Resource and Capital Budgets are divided into,

- DEL – firm three year plans set in the Spending Review. So the Agency may not exceed the limits that they have been set.
 - AME – the Treasury and the Department review budgets twice a year, so The Agency needs to monitor AME closely and account in full for any changes in projections or significant risks and challenges that may arise.
- 12.7 All programmes are in DEL unless the Department (with the agreement of Treasury) determines otherwise
- 12.8 The following item is currently treated as AME in Agency's budget:
- Certain Write downs of regeneration assets (see Treasury guidance)
- 12.9 The Agency should not switch resources between DEL and AME budgets without the Department's prior consent

End Year Flexibility

- 12.10 Requests for draw down of End-Year Flexibility (EYF) in the CSR07 period will be considered in the light of the fiscal position, the impact on the Golden Rule and the principles of sound management of public finances. The Agency should not factor in any EYF drawdown in its annual allocations without the specific agreement of the Treasury.
- 12.11 Any EYF funds will be provided to RDAs following publication of the Spring Supplementary Estimate each year.

Cash

- 12.12 Cash is not directly controlled through the budgeting system. However, indirect control is exercised through the Near-Cash controls for resource and capital DEL. In addition, the Agency's cash draw downs are controlled through the payment of grant in aid claims. Changes in expected levels of cash are monitored by the Department.
- 12.13 Any cash paid to the Agency and not spent by the Agency during the month shall be deducted from the Agency's cash requirement in the following month.

Receipts

- 12.14 Receipts are classified as Negative Resource DEL and Negative Capital DEL. Unless the Department agrees otherwise in writing Resource receipts can only be used for that classification of expenditure. Capital receipts may be used only for Capital expenditure and not for Resource expenditure.

- 12.15 The RDAs are subject to rules governing income (other than their resource budgets and EU Structural Funds). The Agency is expected to forecast income annually and may retain that. The Agency may also retain income of up to 30% above the expected level or £1.0m, whichever is the greater. If the Agency exceptionally wishes to retain any further additions to income it must ensure that this would not breach the overall limit for RDAs and must seek the approval of the Department. Any income not approved by the Department will reduce the Agency's cash claim by the relevant amount.
- 12.16 The Agency is free to retain any gifts, bequests or similar donations made to the Agency, and these will be treated as receipts. The Agency must keep a written record of gifts, bequests and donations received, and of their estimated value and whether they are disposed of or retained. The Agency shall consider if there are any associated costs in doing so or any conflicts of interests arising.
- 12.17 The Agency may annually retain up to £25,000 from interest received on GIA resources. Any retained interest in excess of £25,000 will reduce its cash claim by the relevant amount.
- 12.18 The Agency should keep the Department informed of changes in receipt forecasts on a regular basis, via the Workbook.
- 12.19 For each financial year, the Department will determine the resources to be available to the Agency under the Spending Review and will obtain from the Agency the expected level of receipts to be received for inclusion in the Main Supply Estimates. Those receipts will be additional to the resources made available as grant in aid or grant.

Administration

- 12.20 The Agency has received guidance from Treasury on administration as part of the Comprehensive Spending Review. The Agency will set out in its Corporate Plan its annual budgets for Administration for each year of the Corporate Plan period and any proposals for restructuring costs. The Agency may not exceed the administration budget endorsed by Ministers in the Corporate Plan, unless prior approval has been given by the Department or the Department has increased the Agency's budgets to enable them to take on the additional administration costs of new responsibilities or for one off restructuring costs.

13 Management and Disposal of Assets

Asset Management

- 13.1 The Agency is responsible for the effective use and management of all its assets. The Agency should have an Asset Management strategy that complies with the requirements for managing and disposing of assets as set out in [Managing Public Money \(Annex 4.8\)](#). The Agency should also maintain a fixed asset register. It is a matter for the Agency to determine the appropriate de-minimis level for the assets to be included within the register and to be covered within the strategy. The Agency shall dispose of assets which are surplus to its requirements and ensure it gets the best consideration reasonably obtainable unless agreement to do otherwise has been obtained from the Secretary of State.

Estate Management

- 13.2 The Agency must have an Estate strategy. This should either be a separate document or should be contained with the overall Asset Management strategy. The Agency is also responsible for ensuring that adequate arrangements are in place to maintain accurate and up to date records and should include a market valuation (as defined by the Royal Institution of Chartered Surveyors) of all land and built property held by the Agency in respect of land and for property held as stock, and at adjusted replacement or open market valuations in respect of operational and surplus land ([see footnote 6 below](#)).
- 13.3 The Estate strategy should include a section justifying on value for money criteria the retention of operational (administration) purposes, investment properties and properties held for development purposes. It should also set out the management arrangements according to whether the properties are held by the Agency or its subsidiaries. The strategy should be reviewed annually and a copy of the section relating to the operational estate should be sent to the Department.

Acquisition of Land or Property

- 13.4 Land or property should not be acquired at more than market value, as defined by the RICS Appraisal and Valuation Manual, unless prior approval is obtained from the Department.

Requirements in Respect of the Agency's Operational Estate (Accommodation)

- 13.5 Management of the operational estate shall be in accordance with paragraphs 13.2 and 13.3 above. Before entering into any lease, the Agency shall demonstrate that the lease offers better value for money than purchase. All property disposals, rent reviews, lease renewals and

6. See paragraphs 3.2.11 to 3.2.15 of Treasury's Resource Accounting Handbook (www.resource-accounting.gov.uk) for guidance on valuing tangible assets and accounting treatment for operational property.

acquisitions in respect of the Agency's operational estate must be carried out in co-ordination with the OGC. Unless otherwise agreed with BERR, prior Departmental approval must be secured for all proposals for new leases, extensions and the exercising of break clauses, disposals or acquisitions of operational estate where the proposal exceeds the lower of 1,000sqm or 5% of the existing operational estate.

Disposal of Capital Assets

- 13.6 The disposal value of capital assets is the actual or estimated market value of the capital asset at the time of disposal.

Disposal at Less than the Best Consideration

- 13.7 Part 1, Section 5 of the Act allows an Agency to dispose of land for less than the best consideration that can reasonably be obtained only if the Secretary of State consents. There may be circumstances where an Agency might consider disposal at less than best consideration (see paragraphs 3 and 4 of Appendix B of Guidance to RDAs on Appraisal, Delivery and Evaluation (GRADE)), such as where it would offer value for money in regeneration terms e.g. offering a long term lease at reduced rent to a voluntary organisation. However, the Agency would need to make a strong economic business case to justify its proposal to the Secretary of State.

14 Agency Staffing Matters

General

- 14.1 Within the arrangements approved by the Secretary of State and the Treasury, the Agency has responsibility for the recruitment, retention and motivation of its staff. The Agency will ensure that:
- its rules for the recruitment and management of staff create an inclusive culture in which diversity is fully valued; where appointment and advancement is based on merit; and where there is no discrimination on grounds of gender, marital status, sexual orientation, race, colour, ethnic or national origin, religion, disability, community background or age;
 - the level and structure of its staffing, including gradings and numbers of staff, is appropriate to its functions and the requirements of efficiency, effectiveness and economy;
 - the performance of its staff at all levels is satisfactorily appraised and the Agency's performance measurement systems are reviewed from time to time;
 - its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve the Agency's objectives;
 - proper consultation with staff takes place on key issues affecting them;
 - adequate grievance and disciplinary procedures are in place;
 - whistle-blowing procedures consistent with the Public Interest Disclosure Act 1998 are in place; and
 - a code of conduct for staff is in place based on the Cabinet Office document Model Code for Staff of Executive Non-Departmental Public Bodies from [Public Bodies: A Guide for Departments - Chapter 5](#).

- 14.2 The provisions set out below may be subject to change and the Agency will need to take account of such guidance issued from time to time by the Department which updates Government Policy on public sector pay, terms and conditions of employment. If the Agency believes that proposed personnel systems raise novel or contentious issues, or will need the approval of the Department under this Accountability and Financial Framework, they should consult the Department.
- 14.3 The following controls do not override the provisions of the Transfer of Undertaking (Protection of Employment) Regulations 1981 (TUPE) (S.I. 1981 No. 1794) as amended, or the provisions in the Act providing protection equivalent to TUPE, where these apply to staff transferring to the Agency.

Pay and Grading

- 14.4 The approval of the Department will be required for changes to the Agency's pay, grading and organisational structures with significant financial or political implications. The Agency's pay and grading systems will need to match its business strategy and its suitability will be judged against the criteria of value for money, flexibility, financial control and linking pay to performance.
- 14.5 The approval of the Department will be required for remits for the Agency's pay settlements. Remits will need to comply with Government policy on public sector pay and any guidance issued by the Treasury on the preparation of that year's pay remit.

Terms and Conditions

- 14.6 Subject to the other provisions of this Accountability and Financial Framework Document, the Agency shall ensure that the appropriate provisions concerning non-pay related staff matters (such as recruitment and conduct) and pay related terms and conditions (such as leave arrangements and fringe benefits) are in place. Terms and conditions determined by the Agency shall conform to any relevant rules or principles notified to the Agency by the Department. The Agency should set out all terms and conditions of employment in a staff handbook.

Chief Executive Pay, Terms and Conditions

- 14.7 The prior approval of the Secretary of State must be obtained for the appointment, pay, terms and conditions (where these are different from other staff) of the Chief Executive and any subsequent changes to these. The remuneration package for Chief Executives must take account of performance pay.

14.8 There is a range covering the basic salary of Chief Executives. At 1 April 2008 this range, including the SSRB market adjustment for 2008, was as follows:

| | Minimum | Maximum |
|-------|----------|----------|
| Range | £112,482 | £134,973 |

14.9 The range will be increased annually by the market adjustment described in paragraph 14.10, and the Department will review this range every three years to ensure market competitiveness; the RDA Chairs will be consulted.

14.10 The salary range will be reviewed annually with a general market adjustment to take place from 1st April each year in line with figures from the Senior Salaries Review Body

14.11 A new appointment would start typically at the minimum of the range and progress through annual reviews to the maximum, subject to doing the job 'fully and well'. **No Chief Executive can exceed the maximum, subject only to paragraph 14.14.**

14.12 If the RDA is asking the Minister to consider a higher starting salary than minimum, proposals should demonstrate a clear link to job weight resulting from an independent assessment under a well established and recognised job evaluation system (NB. approval for the job evaluation arrangements is not required) and the following factors should be considered:

- The relative challenge facing the Agency;
- The size of the Agency's budget;
- Comparative pay data;
- The quality of the individual to be appointed;
- Local market conditions; and
- Government policy on public sector pay;
- Job weight, resulting from an independent assessment under a well established and recognised job evaluation system (NB. approval for the job evaluation arrangements is not required).

14.13 Annual progression shall not exceed 5% and will cease when the maximum of the range has been reached. A progression award will be subject to meeting performance criteria agreed for the period.

14.14 It is recognised that because of the living costs in the South East, it may be necessary to seek the Minister's agreement to a higher maximum for the Chief Executive of SEEDA on his or her appointment. Where the Chair of SEEDA is considering such action, he or she should consult the other Chairs before putting a proposal to Ministers.

- 14.15 A non-consolidated performance related bonuses may be paid up to a maximum equivalent to 20% of consolidated salary paid in the previous year. Annual progression to the maximum point on the pay scale shall not exceed 5% of the consolidated salary paid in the previous year

Newly Appointed Chief Executive

- 14.16 Any Chief Executive commencing employment during 1 December to 31 March will not be considered for bonus or progression awards for that period. Progression and bonus awards will only be considered from the first full financial year's performance i.e. after 31 March the following year.

(Example: Chief Executive commencing employment on 2 January 2007 will be considered for their first bonus and progression award based on their performance in April 2007 to 31 March 2008.)

- 14.17 For any Chief Executive commencing employment after the start of the financial year but before 1 December, any bonus or progression award agreed should be pro-rated to the proportion of the year for which the Chief Executive was in post.

(Example: Chief Executive appointed 1 July 2007. The maximum bonus award that can be considered is 15% and progression 3.75%.)

Performance

- 14.18 The RDA Chair, **prior to the start of the financial year**, will agree with the Government Office Regional Director the Chief Executive's progression criteria and performance targets to be set for that year. The Regional Director will consult with and act on behalf of the Department. The RDA Chairs will collectively review the progression criteria and performance objectives for each Chief Executive to ensure that they are rigorous and there is a level playing field. They should be forwarded to BERR by the **end of April**.

- 14.19 By mid June, Chairs will have reviewed performance, considered the level of progression and bonus proposals they believe to be appropriate and agreed them with the Government Office Regional Director, (providing them with sufficient evidence that they agreed earlier) and the Remuneration Committee or RDA Board (subject to local practice).

- 14.20 Chairs should, through the Lead Chair for pay, submit their proposals by mid-June to the Minister for approval. This should be accompanied by an assessment of performance against the objectives, the criteria used and a summary of the evidence supporting the reasons for their

recommendations for each Chief Executive award. The Minister will consider the proposed bonus and progression payments and will reject or approve the proposals in writing. When a proposal is rejected the relevant Chair will reconsider the proposal and address any issues raised by the Minister and re-submit for approval. The aim would be to have ministerial approval before the Recess (towards the end of July), if at all possible.”

Car Benefits

14.21 The following options will be available:

1. Use of own car. A monthly allowance plus private mileage in accordance with approved levels; or
2. Lease car. A monthly allowance (guideline up to £500 per month).

Pension

14.22 Membership of PCSPS scheme or the equivalent employer contribution to a private pension scheme of salary). Except those covered in point 14.23.

14.23 The Chairman and Board Members do not have entitlement to membership of the PCSPS and separate arrangements will be made for them.⁷

Contract

14.24 The following options are available:

1. Fixed term contract (maximum 3 years); or
2. Rolling contract. 6 months notice from employer, 3 months notice from employee.

Senior Staff Pay, Terms and Conditions

14.25 The prior approval of the Department must be obtained for the pay, terms and conditions (where these are different from other staff) of Executive Directors and any subsequent changes to these unless included in the annual pay remit. Proposals should demonstrate a clear link to job weight resulting from an independent assessment under a well established and recognised job evaluation system. The Agency should suggest and be able to justify the specific salary that flows from that job weight. The Agency will not need to seek approval for the job evaluation arrangements

7. Please see guidance notes on the HMT website:

http://www.hmtreasury.gov.uk/media/8/0/pensions_board_mem_230604.pdf

themselves provided these rely on a well-established and recognised job evaluation system. The Agency should ensure that their proposals are in keeping with Government policy on public sector pay.

Performance Pay

14.26 The Agency must put in place a scheme of performance pay and seek the approval of the Department for that scheme. The Department's approval will have to be sought for any substantive changes to the scheme, and also to any proposals to introduce or amend bonus schemes.

Superannuation

14.27 The Agency is a participant in the Principal Civil Service Pension Scheme (PCSPS) and that scheme is the adopted occupational pension scheme for members of staff. The Agency may make arrangements for an alternative occupational pension scheme which would require Departmental approval. Staff who have transferred into the Agency as members of other schemes may be allowed to remain in their existing schemes if the RDA either a) already has other members of staff that are in that pension scheme or b) The RDA has agreed to this with the other pension scheme and all arrangements are in line with Government policy on such transfers.

Compensation for the Premature Termination of the Appointment of Staff

14.28 Where the Agency is a member of PCSPS the levels of Compensation will be determined by the rules governing PCSPS and the associated Civil Service Compensation Scheme. Where the employee has retained rights under a different public sector scheme the provisions of that scheme will apply. If otherwise, the Agency will be required to operate severance payments that are subject to consultation with the Department and agreement of Treasury via the Department and reflect guidance contain in [Annex 4.13.9 of Managing Public Money](#)⁸. The Agency should consult the Department at an early stage and must not make any offer, written or oral, prior to receiving Departmental approval.

Efficiency and Relocation Support Programme: Protocol for handling surplus staff situations.

14.29 The Agency will implement the guidance and Protocols issued by the Cabinet Office.

8. [Managing Public Money Annex 4.13 \(Special Payments\)](http://documents.treasury.gov.uk/mpm/mpm_annex4.13.pdf)
http://documents.treasury.gov.uk/mpm/mpm_annex4.13.pdf

Personnel Information

14.30 The Agency shall submit to the Department such information on staffing and personnel matters as it may require.

Signed :



Anne Taylor
Director
REG RDA
Sponsorship and Finance Directorate

Date: 1 October 2008
(On behalf of the Department)

Signed :



Jeff Moore
Chief Executive
East Midlands
Development Agency

Date: 1 October 2008
(On behalf of the Agencies)

Appendix 1

Standards Expected of the Accounting Officer's Organisation

Acting within the authority of the Board to whom he or she is responsible, the Accounting Officer should ensure that the organisation, and any subsidiary to it or organisation sponsored by it, operates effectively and to a high standard of probity. The organisation should:

Governance

- have a governance structure which transmits, delegates, implements and enforces decisions
- have trustworthy internal controls to safeguard, channel and record resources as intended
- operate with propriety and regularity in all its transactions
- treat its customers and business counterparties fairly and honestly
- offer redress for failure to meet agreed customer standards where appropriate
- give timely, transparent and realistic accounts of its business, underpinning public confidence;

Decision-making

- support its ministers with clear, well reasoned, timely and impartial advice
- make all its decisions in line with the strategy, aims and objectives of the organisation set by the Board and/or in legislation
- meet the Treasury's requirements about limits on use of public resources
- manage its staff fairly, with inclusive policies designed to promote and integrate diversity
- communicate its decisions openly and transparently;

Financial management

- use its resources efficiently, economically and effectively, avoiding waste and extravagance
- carry out procurement and project appraisal objectively and fairly, seeking good value for the public sector as a whole
- use management information systems to secure assurance about value for money and the quality of delivery and so make timely adjustments
- avoid over defining detail and imposing undue compliance costs, either on its own staff or on its customers and stakeholders

- have practical documented arrangements for working in partnership with other organisations
- use internal and external audit to improve its internal controls and performance.

Reproduced from Managing Public Money

Guidance with which the Agency has to comply:

- this framework;
- Regional Development Agency Act 1998;
- Consolidated Budgeting Guidance 2008-09, issued by the Treasury;
- [Corporate Governance in Central government Departments: Code of Good Practice](#), as adapted to Agency circumstance, issued by the Treasury;
- [Managing Public Money](#), including in particular the Accounting Officer Memorandum for NDPBs (reproduced in Chapter 7 of *Managing Public Money*);
- [Public Bodies: A Guide for Departments](#) (the “NDPB Guide”), issued by the Cabinet Office;
- [Government Internal Audit Standards](#), issued by the Treasury;
- [Management of Risk: Principles and concepts](#), issued by the Treasury;
- [Managing the Risk of Fraud](#), issued by the Treasury;
- [Government Financial Reporting Manual \(FReM\)](#), issued by the Treasury;
- [Fees, Charges and Levies, Chapter 6, Managing Public Money](#) issued by the Treasury;
- [Departmental Banking: A Manual for Government Departments](#), issued by the Treasury as annex 5.7 of *Managing Public Money* (when available);
- relevant [Dear Accounting Officer letters](#)⁹, issued by the Treasury;
- [Regularity, Propriety and Value for Money](#): issued by the Treasury; in *Managing Public Money*;
- the Consolidation Officer Memorandum, issued by the Treasury¹⁰;
- relevant *Dear Consolidation Officer letters*¹¹;
- other relevant guidance and instructions issued by the Treasury in respect of Whole of Government Accounts;
- *Model Code for Staff of Executive Non-Departmental Public Bodies*: issued by the Cabinet Office;
- other relevant instructions and guidance issued by the central Departments;
- specific instructions and guidance issued by the sponsor Department¹²;
- recommendations made by the Public Accounts Committee, or by other Parliamentary authority, which have been accepted by the Government and which are relevant to the Agency.

9. Dear Accounting Officer Letters can be found on

www.hm-treasury.gov.uk/documents/public_spending_and_services/audit_and_accounting/pss_aud_dao.cfm

10. Consolidation Officer Memorandum can be found on www.wga.gov.uk

11. Dear Consolidation Officer letters can be found at <http://www.wga.gov.uk/pages/guidance.htm>

12. Including Guidance to the RDAs on Appraisal, Delivery and Evaluation (GRADE)

Accounts Direction given by the Secretary Of State, with the approval of the treasury, in accordance with Section 14(2) Of the Regional Development Agencies Act 1998

The annual accounts of the Agency shall give a true and fair view of the income and expenditure and cash flows for the financial year, and the state of affairs as at the year end. Subject to this requirement, the Agency shall prepare accounts for the financial year ended 31 March 2008 and subsequent financial years in accordance with:

- a. The Government Financial Reporting Manual (FReM)¹³ issued by HM Treasury and as amended from time to time;
- b. Other guidance which the Treasury may issue from time to time in respect of accounts where the requirement is to give a true and fair view of the financial statements; and
- c. Any specific disclosures required by the Secretary of State.

except where agreed with the Treasury, in which case the exception shall be described in the notes to the accounts.

This direction replaces that dated 09 November 2005.

Signed by authority of the Secretary of
State for Business, Enterprise and Regulatory Reform

.....
26 March 2008

Director in the Department
for Business, Enterprise
and Regulatory Reform

13. <http://www.financial-reporting.gov.uk>

Appendix 4

Form and Content of the Annual Report and Accounts; as directed by the Secretary of State under Section 17(2) of the Act.

The Agency is required to follow the accounting guidance set out in Section 7, of *Financial Reporting Manual (FreM)*, as revised from time to time, and the Accounts Direction issued by the Department (see Appendix 3 for the latest version.)

The Agency should include the following in its Annual Reports:

1. a statement by the Chair;
2. a review by the Chief Executive;
3. a report on the Agency's activities and the extent to which specific Corporate Plan targets have been met;
4. statistical data relating to the supply of information under the Freedom of Information Act, for example, the number of requests for information; and
5. a report setting out any directions given to the Agency under Part 1 of the Act and during the period to which the report relates.

These Annual Reports and Accounts should be presented to the Secretary of State for Business, Enterprise & Regulatory Reform. The Secretary of State will lay a copy of the Accounts before Parliament¹⁴.

14. Separate guidance is issued on the process and timetable.

Delegated Authorities

Delegated Financial Limits

- 5.1 The Agency may incur expenditure within the terms of these delegations. The Agency should notify the Department, as soon as reasonably possible, of any case that may exceed the Agency's delegated authority. These delegations do not apply to EU Structural or Rural Funds.
- 5.2 The Agency's delegations will be reviewed from time to time and the Agency notified in writing of any changes which are approved by BERR and Treasury.

Delegated Financial Limits for Projects

- 5.3 It is a condition of the payment of grant that the Agency may not without the consent of the Secretary of State commit expenditure for a new individual project¹⁵ funded from the single budget in excess of £10 million, except expenditure on individual Selective Finance for Investment in England (SFIE) projects, where the limit is £2 million or more. In committing expenditure for a project, whether with such consent or without it if it does not exceed the relevant limit, the Agency shall:
 1. comply with the terms set out in this Framework; and
 2. meet the requirements of other guidance issued by the Department or the Treasury.
- 5.4 Where the Agency's proposed expenditure for a project exceeds £20 million, or £7 million for projects that fall under the SFIE regime, the approval of the Treasury as well as the consent of the Secretary of State, is required.
- 5.5 For the purpose of paragraph 5.3, in determining whether the amount of expenditure proposed for a project exceeds the financial limit:
 1. the Agency shall normally have regard to the total estimated RDA expenditure for the project whether delivered by the Agency or

15. The Agency may seek financial approval for programmes if it feels that appraisal at a higher level would more clearly demonstrate value for money and would aid evaluation of the outcomes.

through another body. In the case of EU funding however, the EU funding amount will only be taken into account where the Agency is the final beneficiary of the project, and

2. the Agency shall observe the rules set out below.
- 5.6 The financial limit of £10m has been fixed on the understanding that:
1. the Department will be involved in post-appraisal and post-implementation monitoring of projects. This will be conducted on a sample basis agreed with the Treasury; and
 2. that the Agency continues to improve its project appraisal, management and evaluation systems.
- 5.7 The Department retains the right to lower the delegation should the Agency receive an adverse report on methodology or procedure from NAO or a BERR appointed approver.
- 5.8 Projects must not be artificially split so as to portray what is properly regarded as a single project as if it were two or more projects each falling within the financial limit for the project concerned. (Giving financial assistance under those circumstances would not be covered by the consent given by the Secretary of State below.)
- 5.9 In determining whether or not the Agency's total estimated expenditure¹⁶ on any project exceeds a financial limit, account must be taken of all contingent liabilities, including guarantees to be given by the Agency, whether during or after the lifetime of the project. Non-cash costs including losses on disposal and cost of capital should be included in consideration of whether the financial limit is exceeded. Also, in determining whether or not the Agency's total estimated expenditure on any project exceeds a financial limit, any receipts received, or expected to be received, in connection with the project including any EU funds where the Agency is the final beneficiary and any funds held in separate bank accounts) shall count towards the total estimated expenditure.

Consent under Section 5 (2) (a) to Giving Financial Assistance

- 5.10 Subject to the following conditions, where expenditure not exceeding the financial limit involves giving financial assistance, by way of grant, the Agency has by virtue of this Appendix the consent of the Secretary of

16. Table 1 (financial assessment) in Guidance to RDAs on Appraisal, Delivery and Evaluation (GRADE) refers to "Gross undiscounted costs". For the avoidance of doubt, that phrase has the same meaning as "estimated expenditure" as explained in paragraph 5 above and prior to any discounting methodology.

State, under Section 5(2)(a) of the Act, to give such assistance, unless a separate consent is required.

- 5.11 This consent is subject to the power of the Secretary of State by direction to call in a particular project for specific approval (where this is done, the consent given above will not apply).
- 5.12 In giving financial assistance as permitted by this Appendix, the Agency must observe all applicable laws and rules of the European Union, including, in particular, European Union State Aids requirements.¹⁷
- 5.13 Where expenditure on a project is given in the exercise of a function that has been delegated to the Agency under Section 6 of the Act, consent to the giving of financial assistance for the project is conditional upon the Agency complying with the conditions attached to the delegation of the function concerned.

Issuing Guarantees, Indemnities and Contingent Liabilities

- 5.14 The Agency may only create any contingent liability, as defined in [Managing Public Money](#) including guarantees, indemnities and letters of comfort, whether or not in legally binding form, without seeking the Department's prior approval if the contingent liability:
1. is in the normal course of business for any given activity¹⁸;
 2. is not reportable to Parliament;
 3. is less than £200,000; or
 4. is above £200,000 and does not need to be funded through grant in aid provided by the Department; or
 5. the combined total of all contingent liabilities does not exceed £10m at any time.

Otherwise, the Agency must seek prior written consent from the Department.

- 5.15 All financial guarantees and indemnities given by the Agency under Section 5 of the Act must be adequately covered within its annual allocation of resources.

17. Policy on what constitutes 'de minimis' payment is provided by the European Commission and guidance can be found on the Department's web site: <http://www.berr.gov.uk/ccp/stateaid/notification.htm#deminimis>

18. For example, where the Agency is a grant recipient, a Utility requires a warranty/indemnity or indemnifying a Hotel or conference centre for damages.

- 5.16 The Agency must keep a record of all contingent liabilities including guarantees, indemnities and letters of comfort it creates. When seeking consent the Agency should refer to the level of existing contingent liabilities whether or not reportable under FRS2 in the Agency's financial statements. The Department will need to seek Treasury approval for any contingent liabilities it is prepared to underwrite.

Special Payments

- 5.17 The Agency has authority to make special payments of up to £5,000 per case and, £25,000 in respect of personal injuries or industrial tribunals¹⁹. This delegated authority does not apply to special severance payments (payments above contractual or statutory entitlements) which needs the prior approval of the Treasury (see paragraph 18.27).

Gifts

- 5.18 The Agency has authority to make a single gift up to the value of £1,000. The total value of gifts shall not exceed £20,000 in any one year. Gifts to staff are subject to DAO(GEN)13/01 and the associated Cabinet Office guidance on Non-Pay Awards.

Losses and Write Offs

- 5.19 The Agency has delegated authority to write off individual losses²⁰ occurring through normal business activities which are not novel, contentious or repercussive up to the value of £250,000 with the approval of the Board.

19. See Annex 4.13 of Managing Public Money which sets out the various groupings within which special payments can be made to compensate for loss or redress.

20. See Annex 4.10 of Managing Public Money which sets out the various classifications of losses.

Recording and Informing

- 5.20 The Agency shall maintain a record of all losses written off, special payments and gifts made detailing the circumstances of the event and stating the action taken to prevent a recurrence. These records shall be available to the Department for inspection when required. The Agency will supply the Department, by the end of June each year, with a list of special payments and gifts made in the preceding year.

Advance Payments

- 6.1 In exceptional and rare circumstances (e.g. a revenue payment to meet a staffing cost, or to enable capital expenditure to be incurred by a small organisation), payments may be approved in advance of expenditure. [Annex 4.6 of Managing Public Money](#) explains circumstances under which payment of grants can be made in advance.
- 6.2 The Agency may establish procedures to make payments to non trading organisations to meet anticipated expenditure and reconciled afterwards. Payments under such circumstances are not considered to be payments in advance of need. **Under no circumstance should advance payments be made to local authorities.** However, payments made into escrow accounts held by local authorities to facilitate road construction under the Highways Act are allowable.
- 6.3 When considering whether advance payments should be made, the Agency must have regard to the soundness of the recipient body in terms of financial viability. The Agency should also ensure that payments in advance are not being requested to generate a financial gain, but requests for such payments should be based on clear, reasoned and prudent operational requirements.
- 6.4 Where regular payments in advance of expenditure is approved, the Agency must implement a robust financial management system, with monitoring arrangements to ensure the recipient body is able to keep track of advance payments, and to confirm that expenditure was only incurred and paid for on eligible activities within the financial year. Where this does not occur, the Agency must take steps to recover any grant already paid.
- 6.5 An audited statement of grant usage by the recipient body will be required. Or, an accountants report on the terms agreed between BERR and ICAEW (Institute of Chartered Accountants in England and Wales), in accordance with Audit 03/03.